



STANDARD AND POOR'S LISTING
INCORPORATED IN U.S.A.
CORPORATION FILE

Annual Report 1956

PEPSI-COLA COMPANY

HIS



ANNUAL MEETING

The Annual Meeting of our Stockholders, which is held each year at the Company's home office in Wilmington, Delaware, will be held there this year at two o'clock in the afternoon, on Wednesday, May 1. An official Notice together with a Proxy and a Proxy Statement accompany this Annual Report.

It is hoped that as many Stockholders as are able will attend.

If you cannot attend, however, please sign and mail back the enclosed Proxy.

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BOARD OF DIRECTORS



James W. Carkner
*Honorary Chairman
of the Board*



Dr. Louis A. Rezzonico
Industrialist



Sheldon R. Coons
Business Consultant



Harry E. Gould
*President,
Reinhold-Gould, Inc.*



James G. Blaine
*Chairman of the Board
The Marine Midland
Trust Company*



Mortimer Hays
*Member
Hays, Podell, Algase,
Crum & Fewer*

Alfred N. Steele
*Chairman of the Board
and Chief Executive Officer*

Herbert L. Barnett
President



Charles Allen, Jr.
*Senior Partner,
Allen & Company*



James Felt
*Chairman
New York City
Planning Commission*



C. E. Holzworth
*Vice-President and
Director, retired
S. S. Kresge Company*



Milward W. Martin
*Vice-President
and Secretary*



George C. Textor
*President
The Marine Midland
Trust Company*



MEETING WITH BOARD
Louis E. Nufer
*Financial Vice-President
and Treasurer*

ANNUAL REPORT

PEPSI-COLA
COMPANY

1956

TO STOCKHOLDERS



PEPSI-COLA COMPANY

3 West 57th Street, New York 19, N. Y.
MURRAY HILL 8-4500

Alfred N. Steele
CHAIRMAN OF THE BOARD

To the Stockholders of Pepsi-Cola Company:

In 1956, as in each of the preceding four years, Pepsi-Cola reached the highest sale in its history and continued to show the most dynamic vitality in the soft-drink industry.

The rate of our sales growth was well in excess of that estimated for the industry as a whole, and we ended the old year and entered the new on this same high level of progress.

All this came about despite the fact that during the summer -- historically our peak season -- temperatures across the country and most particularly the populous eastern half turned abnormally cool and fell far below those of the preceding summer. In addition, we suffered an unavoidable work stoppage which closed our largest concentrate and bottling plants for a month during this same peak season. Yet, in the face of this, both at home and abroad, we sold more Pepsi-Cola than ever before.

In response to these flourishing increases and out of their high faith in future progress, the Bottlers of Pepsi-Cola invested more money in the business by far than ever before; domestically, in physical equipment alone -- plants and the machinery of production and transportation -- this sum exceeded \$31,000,000.00.

During the year we purchased property on Park Avenue in New York City on which we will erect a new and distinguished structure as world headquarters of your Company.

Having constructed and implemented plans and policies under which Pepsi-Cola continues to be the industry's leader in growth, we look forward confidently to even higher achievements.

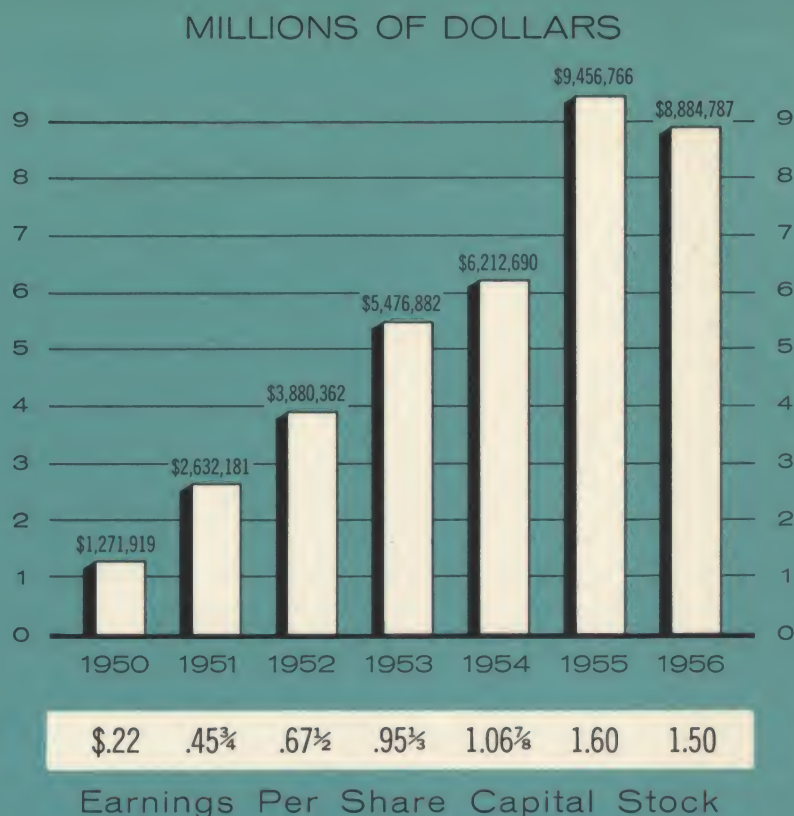
On the following pages you will see both a record of the past year and a foreshadowing of the days to come.

Alfred N. Steele



Alfred N. Steele
*Chairman of the Board
and Chief Executive Officer*

NET INCOME



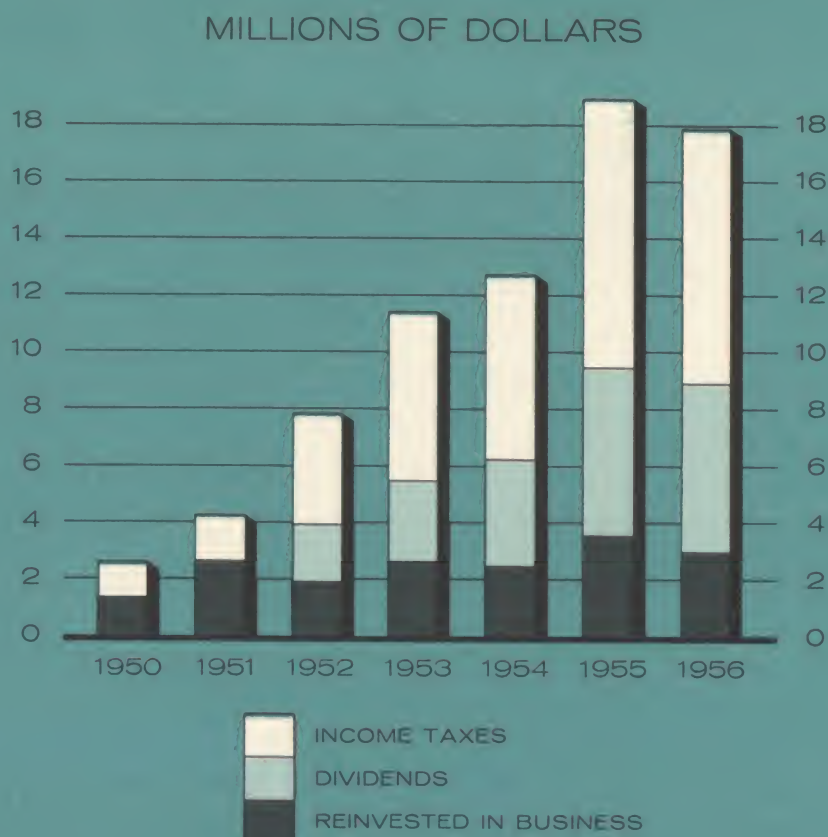
OUR FINANCIAL POSITION

EARNINGS

BECAUSE OF THREE MAJOR EVENTS, all unforeseeable and unavoidable, a notable sales growth was not followed by growth in earnings. At the peak of our selling season, a strike in the Company's largest bottling plant, concentrate plant, and sugar refinery added heavily to expense. During the summer months when sales and profits are normally at their peak, temperatures fell so far below those of the preceding summer as to affect our earnings adversely. Circumstances in several foreign countries brought on currency restrictions which prevented Bottlers there from receiving their normal shipments of concentrate.

Earnings *before* taxes were \$17,884,787 in 1956, compared with \$18,880,766 in 1955. This represents a decrease of 5.3 per cent. Federal and foreign income taxes on 1956 earnings were \$9,000,000 compared with \$9,424,000 in 1955.

APPLICATION OF EARNINGS



Earnings *after* taxes in 1956 were \$8,884,787 compared with \$9,456,766 in 1955. This represents a decrease of 6.0 per cent.

Earnings per share on the 5,918,655 shares of capital stock outstanding at the end of 1956 were \$1.50 compared with \$1.60 in 1955 on 5,909,005 shares outstanding.

DIVIDENDS

THE REGULAR QUARTERLY DIVIDEND of 25¢ per share, previously authorized in November of 1955, was continued so that total payment to stockholders was \$1.00 per share.

| Declared | Amount | Paid |
|--------------------|--------|--------------------|
| February 23, 1956 | 25¢ | March 31, 1956 |
| May 24, 1956 | 25¢ | June 30, 1956 |
| August 23, 1956 | 25¢ | September 28, 1956 |
| November 29, 1956 | 25¢ | December 31, 1956 |
| TOTAL 1956: \$1.00 | | |

Since dividends were resumed in 1952, total payments have been \$20,464,392 or \$3.50 per outstanding share.

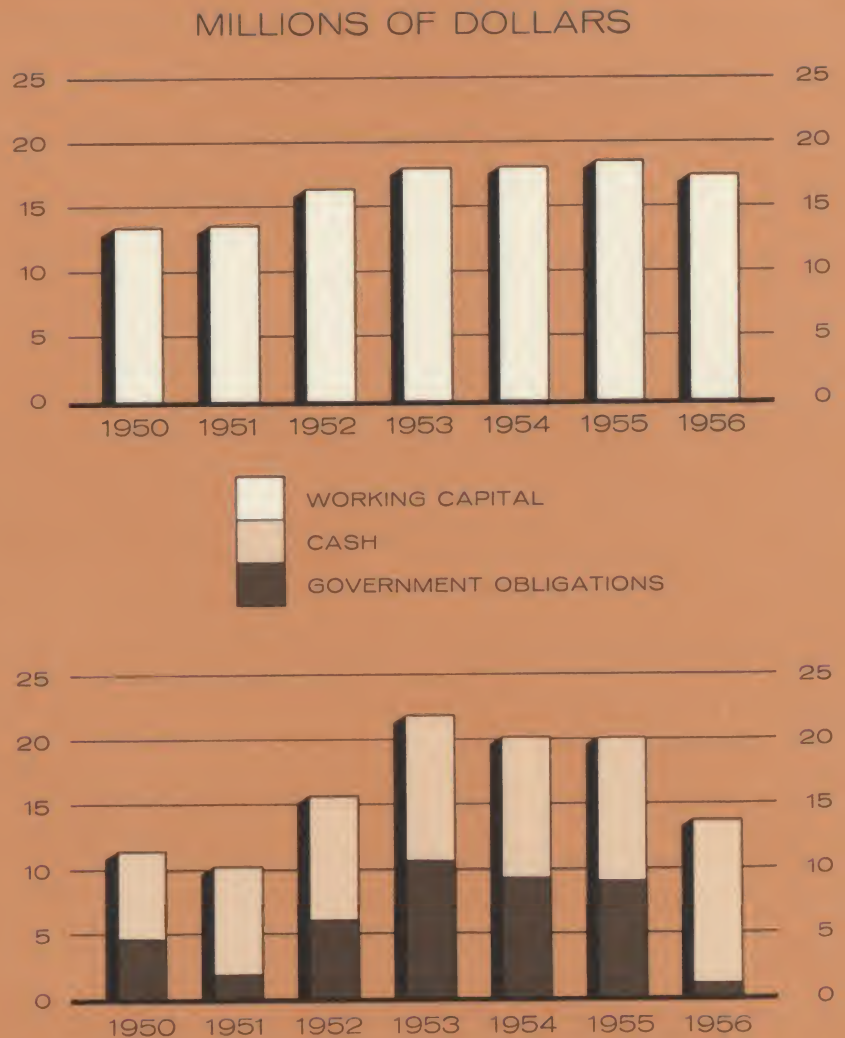
CAPITAL EXPENDITURES

DURING 1956 SUBSTANTIAL EXPENDITURES were made for expansion in the business—to increase bottling facilities and to purchase bottles, cases, automotive equipment, coolers, vending machines, and other tools of the trade. Expenditures for these purposes amounted to \$12,280,000 in 1956, making a total of \$54,100,000 devoted to expansion during the last seven calendar years.

SALES

IN 1956 REPORTED CASE SALES in the United States were the highest in the Company's history, representing an increase of 9 per cent over 1955. This was a rate of growth more than double that estimated for the industry as a whole.

WORKING CAPITAL, CASH AND GOVERNMENT OBLIGATIONS

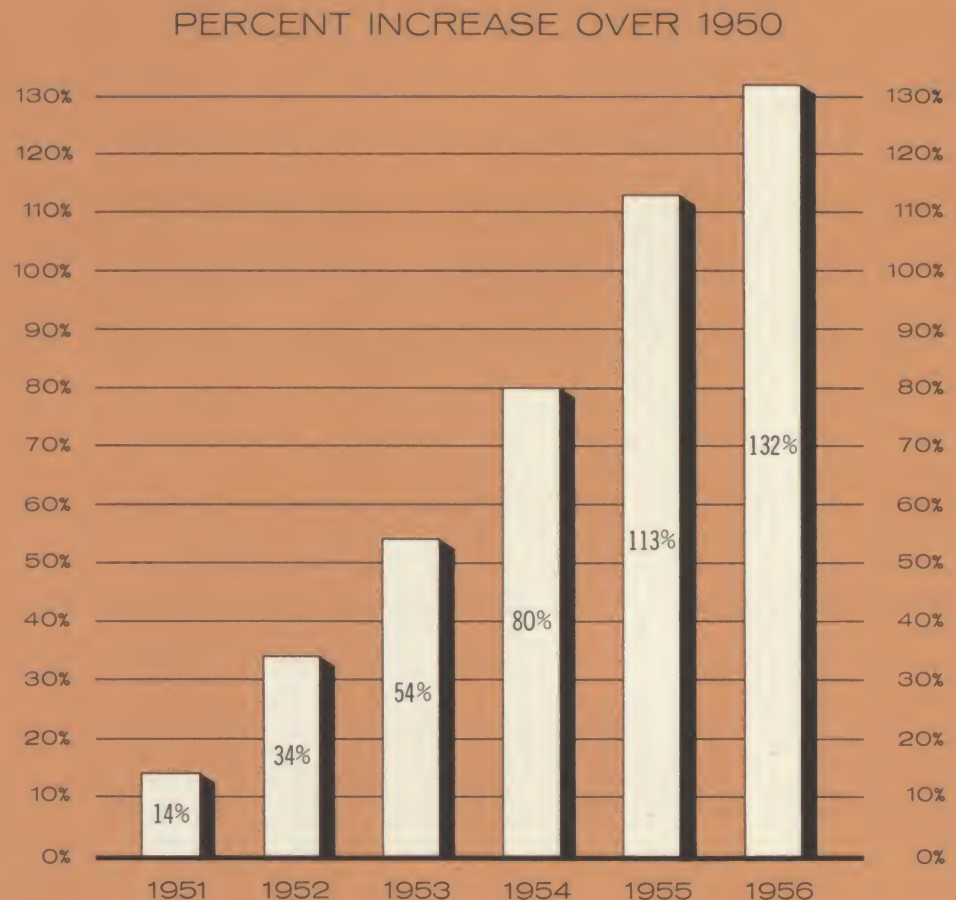


After six consecutive years of growth, case sales in 1956 were 132 per cent greater than those of 1950, when present management assumed direction of the Company.

Although the cooler summer temperatures, substantially below those of the preceding summer, were an uncontrollable impediment to progress during our historic peak season, our sales so promptly rebounded that rate of increase during the last quarter of the year was almost triple what it had been in June, July, and August. We thus entered the new year at a rate exceeding the percentage growth of 1956 as a whole.

By the end of the year, 55 domestic plants were selling more than one million cases a year; this compares with 13 such plants in 1950 and 51 in 1955. Moreover, 413 operations reached new per capita sales records as compared with 313 which did so in 1955.

DOMESTIC CASE SALES GAINS





Pepsi...

THE WORLD OVER

Herbert L. Barnett (right), President of Pepsi-Cola Company and Henry M. Winter, President of the subsidiary responsible for foreign development, Pepsi-Cola International, Ltd.



THROUGHOUT THE UNITED STATES and the seventy-five other countries where Pepsi-Cola is bottled and distributed from approximately eight hundred bottling plants, the booming growth of the light refreshment set new standards of popularity. Whether in Memphis, Montreal, Mexico City, or Madrid, whether in the District of Columbia, the city of Caracas, or the Isle of Mauritius, people drank more Pepsi-Cola than ever before in history.

In achieving these new levels Bottlers received the strong support of many activities of the Pepsi-Cola Company, some of which are outlined on the following pages.



ADVERTISING



MAGAZINE



NEWSPAPER



TELEVISION

CONTINUING the highly appealing and successful theme of "The Light Refreshment" for the fifth consecutive year, in 1956 the Company made the heaviest investment in advertising it has ever made. This theme, now being paid the tribute of imitation by other advertisers of food and drink, was again presented with sprightly good taste featuring today's women, who purchase at least two-thirds of all soft drinks sold.

Our advertising in print media alone—through national magazines, Sunday supplements, and newspapers—reached more than six hundred and fifty million people, and other media reached countless millions.

By investing more money than ever before in advertising through newspapers, television, radio, three-sheet posters, and point-of-sale materials, all of which carry through the national themes and styles, Bottlers again identified their programs with the national campaign at local level.

Field representatives prepared campaigns tailored to selected local markets; among several such highly success-

ful operations were the popular "Pepsi, Please" campaign and introductory materials for new bottle sizes.

Following a series of experiments in the best manner of presenting the Pepsi-Cola image to the buying public, our advertising was thrice honored with special acclaim. Our television commercials were selected by a panel of advertising experts as among the ten best produced in America; one of our twenty-four-sheet posters was selected as among the three best of the year; and our point-of-sale material (used for display in trade outlets) won wide honors from various printing houses.

Following the adaptation of domestic materials to foreign markets, built on the theme of Pepsi-Cola as the "Refreshment of Friendship," Bottlers overseas also invested more money in advertising than ever before.

Through adroit preparation of advertising materials best suited to the tastes of each individual country concerned, Pepsi-Cola holds a familiar and high stature everywhere.



OUTDOOR



POINT OF PURCHASE



RADIO

SALES PROMOTION

USE IN BOTTLING PLANTS of sales promotion ideas, tools, devices, and services provided by the Company again exceeded that of any previous year.

Spurred by the stimulus of a sales contest conducted nationally in the last quarter of the year salesmen placed in outlets more than ten times as many vending machines as they had placed in the similar period of the preceding year. Through these machines in 1957 alone several millions of additional cases will be sold to thousands upon thousands of new customers.

For use at special events, portable refreshment stands the Company had designed sold far in excess of every anticipation, as did other sales instruments.

At more than fifty national conventions of people whose influence on community custom and taste is strong we served Pepsi-Cola from especially designed attractive booths to more than four

hundred thousand people. Notably spectacular among these were the conventions of the two national political parties in Chicago and San Francisco, where more than 200,000 drinks of Pepsi-Cola were served to delegates, newsmen, and other dignitaries in the exciting atmosphere of these historic occasions. The tremendous success of this large-scale activity was publicized by innumerable newspapers, television shots during the conventions, radio commentators, and national magazines, including *LIFE* and *TIME*.

During 1956, the traveling Route Management School, which put more than



ROUTE SELLING



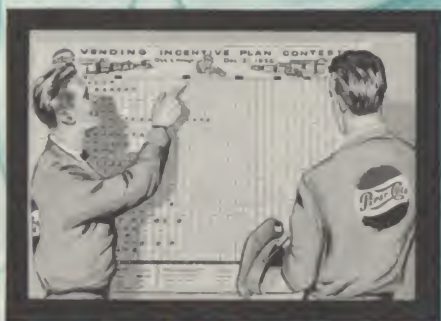
COLD BOTTLE OUTLETS



SPECIAL EVENTS

seven hundred Route Managers from some two hundred plants through dramatic and compact sales training, proved so successful that the staff of the school was doubled to provide twice as many schools in 1957.

The Company's monthly picture news-magazine, THE PEPSI-COLA WORLD, through which many sales ideas are presented, in 1956 was the only publication in the beverage industry to receive the Merit Award of the New York Employing Printers Association in its annual competitive judgments.



SALES CONTESTS



SALES TRAINING



COMPANY PUBLICATIONS

NATIONAL ACCOUNTS AND SYRUP SALES



INDUSTRIAL GROUPS



MILITARY INSTALLATIONS



GROCERY CHAINS

AS AN ADJUNCT to the sales forces of bottling plants, which cannot go outside their franchises to call on managers of the many chain groups of stores and industries commonplace in America, the Company continued to develop these many groups which have outlets in the territories of more than one Bottler.

During 1956, in chain theatres alone, more than six hundred new accounts were added to the present impressive list, many of them serving no cola but Pepsi-Cola to their thousands of customers. Among these new acquisitions were the two largest theatre circuits in Texas and a major chain operating over five Southern states.

Among other chain outlets opened were one of the three largest plants in its industry, the snack bars of the world's largest retail mail order firm, and the post houses of the largest transcontinental bus system.

Pepsi-Cola is now commonly sold at almost every state and county fair, outdoor show, and sporting event of every

kind where concessionaires sell the product to millions of pleasure seekers.

More than 3,000 animated mass display pieces were erected in supermarkets throughout the country; many grocery stores installed Pepsi vending machines, some as the exclusive drink sold.

Increased sales among the armed forces were notable, especially in the installation of vending equipment aboard many additional ships, including the super-carrier *Saratoga*.

Increases in sales of fountain syrup were dramatic; through Bottlers and the efforts of specially trained crews made available to them, thousands of fountain dispensing units were installed and thousands of new outlets opened. Some of the largest drug and variety chains considerably increased their investment in fountain equipment for Pepsi, and many installed permanent illuminated signs advertising the product at their fountains. Thus, fountain syrup sales were up 29 percent over 1955; measured against the sale of 1950, this is an increase of 234 percent.



DRUG AND VARIETY CHAINS



CONCESSIONS



THEATER CHAINS

MANUFACTURING, RESEARCH AND PRODUCT CONTROL

IRREVOCABLY DEDICATED to producing a uniform product of incomparably high quality, the Company and the Bottlers of Pepsi-Cola leave nothing undone which serves this determination. Through continuous inspection, supervision, and research, they not alone guard the quality of the product at every step but also test and analyze its ingredients, improve the methods of its handling and production toward perfection, and investigate all processes and new product ingredients which might be of use to the Company or to its competitors.

In hundreds of inspection trips, seven traveling laboratories helped Pepsi Bottlers keep constant and careful watch on the production of a product of incomparable quality. The Research Laboratory in New York devoted major effort to standardizing control procedures; in addition, it developed new flavors of carbonated beverages and began production of an orange beverage for distribution by Pepsi-Cola International Ltd. It also supervised the packaging of Pepsi in flat-top cans for sale to military forces in the Far East.

Expanding sales required the construction of two new and modern concentrate plants in Offenbach, Germany, and in Feltham, England. New or additional facilities for manufacture were also secured in Sydney, Australia; Porto Alegre, Brazil; and in Montreal, Canada. Property was leased for a new concentrate plant in Bermuda.





Ferrill (1940)





PLANT DESIGN AND ENGINEERING

DURING 1956 increased demand for the product made the Bottlers of Pepsi-Cola the largest purchasers of bottling machinery in the beverage industry.

Bottler investment in new plants, new machinery, and delivery equipment was higher than for any other year in history.

During the year thirty-two new bottling plants were completed in Batesville and Jonesboro, Arkansas; Talladega, Alabama; Phoenix, Arizona; Baldwin Park and Watsonville, California; Marion and Chicago, Illinois; Logansport and Muncie, Indiana; Davenport, Iowa; Ottawa, Kansas; Joplin and Springfield, Missouri; Great Falls, Montana; Geneva, Syracuse, and Utica, New York; Minot, North Dakota; Greensboro and Lumberton, North Carolina; Lawton, Oklahoma; Roseburg, Oregon; Altoona, Pennsylvania; Charleston, South Carolina; Rapid City, South Dakota; Waco and Wichita Falls, Texas; Richmond, Virginia; Moundsville and Parkersburg, West Virginia; and De Pere, Wisconsin.

In addition to this construction, existing facilities were enlarged at thirty-two other locations, and construction was begun on eleven additional plants for completion in 1957.

The installation of new bottling lines at twenty-five plants and installation of units of larger productive capacity at thirty-two others increased annual bottling capacity. More equipment was also purchased for installation in 1957.

NEW PLANTS



Syracuse, New York,
completed in April 1956.



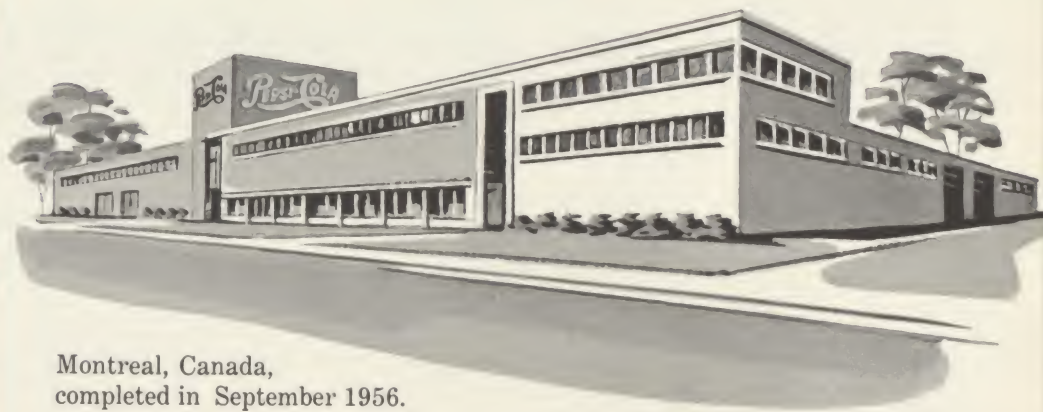
Muncie, Indiana,,
completed in December 1956.



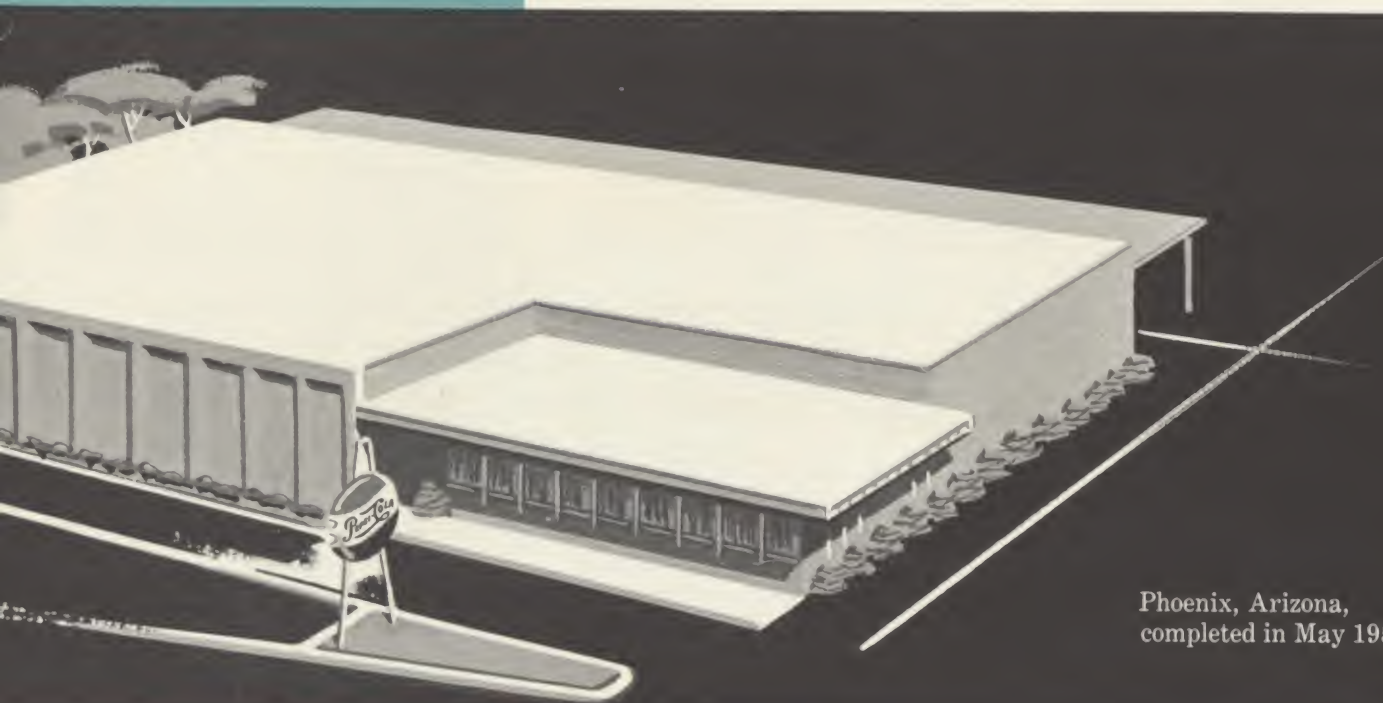
Baldwin Park, California,
completed in September 1956.



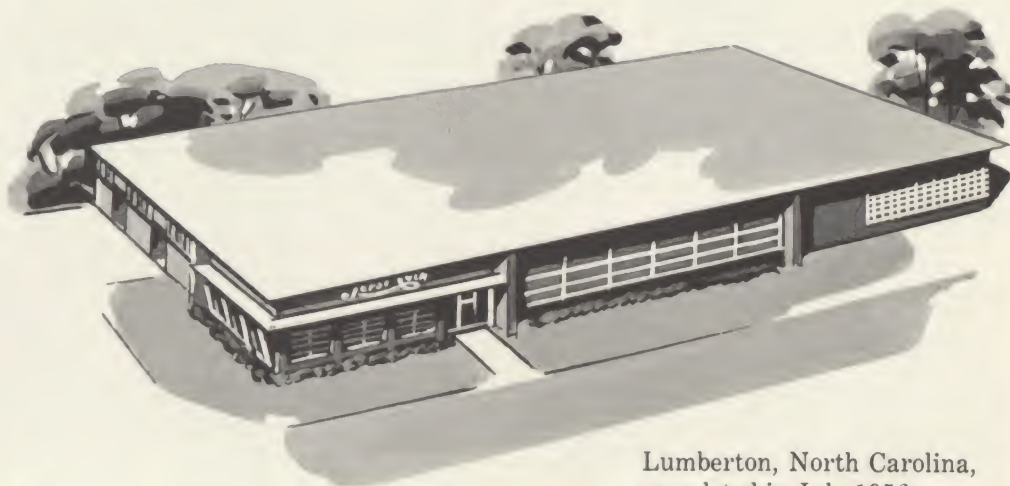
Jonesboro, Arkansas,
completed in May 1956.



Montreal, Canada,
completed in September 1956.



Phoenix, Arizona,
completed in May 1956.



Lumberton, North Carolina,
completed in July 1956.

EQUIPMENT



VENDING MACHINES

BOTTLER PURCHASES of the new and complete line of vending machines which the Company engineered, developed, and procured were not merely the largest in history; they were two and one-half times as large as in the previous peak year of 1955. Many of these purchases were stimulated by a traveling caravan which displayed available machines to gatherings of Bottlers in key cities across the country.

The increasing popularity of Pre-Mix, a new method by which the product is mixed with precision at the bottling plant rather than in the vending machinery at the point of sale, foreshadowed even greater future expansion of

this type of machine. The speed with which Pre-Mix machines deliver the finished drink was dramatized by such experiences as the sale of 400,000 drinks in one week at a state fair in the Middle West, and the sale of 27,000 at a Southern football stadium in two hours.

Toward the end of the year a six-bottle carton with new copy and design was introduced to the public; making use of familiar symbols and bright, eye-catching colors whether singly or in mass display it quickly demonstrated its sales advantages, and will become commonplace throughout the country in 1957.

Continuous experiments on the properties of bottles, cartons, and cases required enlarging of the laboratory facilities in New York.

The search for physical tools which contain, deliver, and display the product to the best sales advantage—whether in bottle, case, carton, or display stand—is never-ending.

PLEASE PLACE
EMPTY'S HERE



DISPLAY STANDS



FOUNTAIN EQUIPMENT



CASES, CARTONS, BOTTLES

METROPOLITAN BOTTLING COMPANY, INC.

METROPOLITAN BOTTLING COMPANY, INC., a subsidiary of Pepsi-Cola Company, operates seventeen bottling plants in fifteen cities across the United States—Phoenix, Arizona; Jersey City, New Brunswick, and Teterboro, New Jersey; New York, New York (two plants); Boston and Springfield, Massachusetts; Philadelphia (two plants) and Pittsburgh, Pennsylvania; Memphis and Nashville, Tennessee; Houston and Waco, Texas; Alexandria, Virginia; and Milwaukee, Wisconsin.

During 1956, to keep pace with the increasing demand for Pepsi and to provide for future growth, we constructed and began operations in a new plant in Waco, enlarged the facilities in Springfield, purchased land for new plants to serve Boston and Pittsburgh, and began construction of a new plant in Brooklyn, New York. Operations in the Brooklyn plant and in the plants for which land was purchased will begin in 1957.

PACKAGING

IN SEVERAL MARKETS during the year we tested a newly designed bottle of a size different from our other packages. Containing six and one-half ounces of Pepsi-Cola, it is suitable to many preferences, especially in vending machines, and its reception makes certain its further introduction into many additional markets.

The Hostess bottle ("quart" size), originally introduced in 1955, was added by many other Bottlers so that it is now on sale in well over one hundred markets; as it is authorized for still more territories, its contribution to sales will increase.

With these and its more familiar bottles, your Company now has a complete line of sizes available to every need and choice.



PEPSI-COLA INTERNATIONAL, LTD.

FOLLOWING THE RETIREMENT of William Forsythe, who for many years had directed Pepsi's foreign operations, Henry M. Winter, formerly Executive Vice President, was elected President of Pepsi-Cola International. The organization of the Company was strengthened to achieve a large measure of decentralization and immediacy; though policy and direction of the Company remain with the Central Office in New York, decisions on day-to-day matters are now speedily made in local areas by personnel thoroughly familiar with local conditions.

Concurrently with this the executive staff of the home office was greatly strengthened, and in many cases regional managers responsible for large territories of the world outside the United States were promoted in rank and made directors of the Company.

In 1956 more new Pepsi plants outside the United States and Canada were inaugurated than ever before. Totaling eighteen, they were in Tuxpan and Ixtepec, Mexico; Bogotá and Cali, Colombia; Manaus, Brazil; Santiago, Dominican Republic; Oslo, Norway; Canary Islands; Barcelona, Spain; Albshausen, Germany; New Delhi, India; Al Khobar, Saudi Arabia; Abadan, Iran; Aden, Aden; Moshi, Tanganyika; Salisbury, Southern Rhodesia; Broken Hill and Perth, Australia.

These additions brought to a total of 149 the Pepsi plants outside the United States and Canada; combined they serve approximately 237,000,000 people in seventy-four countries. Plans for 1957 include installation of plants in twenty-five new markets.

ADMINISTRATION

IN RECOGNITION of enlarged responsibilities in the Company's greater expansion and increased stature in the industry, the Board of Directors authorized the following administrative changes:

Milward W. Martin, Vice President and Secretary of the Company, and George C. Textor, President of The Marine Midland Trust Company, were made members of the Board of Directors.

Neil Morrison, who heads the Plant Design and Engineering Department, and Seymour Lusterman, Director of Market Research, were elected Vice Presidents of the Company, effective in 1957.

In May, William B. Forsythe retired as a member of the Board but continued in a consultative status with the Company.

FINANCIAL STATEMENTS



ACCOUNTANTS' CERTIFICATE

HASKINS & SELLS
Certified Public Accountants

67 Broad Street
New York 4

THE DIRECTORS AND STOCKHOLDERS
OF PEPSI-COLA COMPANY:

We have examined the balance sheet of Pepsi-Cola Company and consolidated subsidiaries as of December 31, 1956 and the related summaries of consolidated income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the related summaries of consolidated income and surplus present fairly the financial position of the companies at December 31, 1956 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells

March 15, 1957

SEVEN-YEAR COMPARISON

FINANCIAL RESULTS

| | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Gross Profit on Sales . . . | \$69,139,792 | \$62,823,327 | \$51,787,727 | \$45,419,752 | \$35,022,415 | \$30,216,383 | \$23,765,879 |
| Income Before United States and Foreign Income Taxes . . . | 17,884,787 | 18,880,766 | 12,703,690 | 11,384,412 | 7,834,126 | 4,192,890 | 2,544,610 |
| Net Income | 8,884,787 | 9,456,766 | 6,212,690 | 5,476,882 | 3,880,362 | 2,632,181 | 1,271,919 |
| Earnings Per Share . . . | 1.50 | 1.60 | 1.06⅞ | .95⅓ | .67½ | .45¾ | .22 |
| Dividends | 5,915,830 | 5,897,090 | 3,769,493 | 2,871,752 | 2,010,227 | — | — |
| Dividends Per Share . . . | 1.00 | 1.00 | .65 | .50 | .35 | — | — |
| Shares Outstanding . . . | 5,918,655 | 5,909,005 | 5,813,155 | 5,743,505 | 5,743,505 | 5,736,005 | 5,736,005 |

FINANCIAL POSITION

| | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 |
|--|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| Current Assets | \$32,018,582 | \$32,803,026 | \$29,309,566 | \$29,850,407 | \$23,459,670 | \$18,538,797 | \$17,248,807 |
| Current Liabilities | <u>14,566,258</u> | <u>14,300,372</u> | <u>11,227,522</u> | <u>11,854,418</u> | <u>7,048,898</u> | <u>4,830,536</u> | <u>3,784,171</u> |
| Working Capital | \$17,452,324 | \$18,502,654 | \$18,082,044 | \$17,995,989 | \$16,410,772 | \$13,708,261 | \$13,464,636 |
| Fixed Assets—Net | 24,323,023 | 20,103,341 | 17,172,325 | 14,758,730 | 13,980,506 | 15,044,434 | 10,939,904 |
| Other Assets | <u>6,390,925</u> | <u>5,180,719</u> | <u>4,305,246</u> | <u>3,963,617</u> | <u>3,720,446</u> | <u>3,374,015</u> | <u>3,171,161</u> |
| Total | \$48,166,272 | \$43,786,714 | \$39,559,615 | \$36,718,336 | \$34,111,724 | \$32,126,710 | \$27,575,701 |
| Long Term Obligations and Customers' Deposits . . . | <u>6,002,051</u> | <u>4,692,600</u> | <u>4,939,642</u> | <u>5,111,280</u> | <u>5,109,798</u> | <u>5,309,341</u> | <u>5,221,898</u> |
| Stockholders' Equity . . . | \$42,164,221 | \$39,094,114 | \$34,619,973 | \$31,607,056 | \$29,001,926 | \$26,817,369 | \$22,353,803 |

CONSOLIDATED BALANCE SHEET **DECEMBER 31, 1956 AND 1955**

*Pepsi-Cola Company
and Consolidated Subsidiaries*

| ASSETS | 1956 | 1955 |
|--|----------------------------|----------------------------|
| CURRENT ASSETS: | | |
| Cash | \$12,743,866 | \$11,376,548 |
| United States Government obligations—at cost (market valuation—1956, \$1,018,040) | 1,016,819 | 8,995,924 |
| Notes and accounts receivable (less allowance for doubtful receivables—1956, \$385,065; 1955, \$407,327) | 11,115,450 | 5,366,380 |
| Inventories: | | |
| Finished, in-process, raw materials and supplies | 4,743,713 | 4,693,945 |
| Vending equipment held for resale | 2,398,734 | 2,370,229 |
| Total current assets | <u>\$32,018,582</u> | <u>\$32,803,026</u> |
| MISCELLANEOUS ASSETS: | | |
| Notes and accounts receivable—not current | \$ 1,493,497 | \$ 1,236,864 |
| Investment in and advances to subsidiaries not consolidated . . | 492,501 | 496,018 |
| Other | 475,671 | 582,792 |
| Total miscellaneous assets | <u>\$ 2,461,669</u> | <u>\$ 2,315,674</u> |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| Land, buildings, equipment, leasehold improvements, etc.—at cost (less depreciation and amortization—1956, \$12,305,797; 1955, \$10,676,005) | \$18,674,921 | \$14,996,018 |
| Bottles and cases on hand and with trade (at estimated depreciated values) | 5,648,102 | 5,107,323 |
| Total property, plant and equipment—net | <u>\$24,323,023</u> | <u>\$20,103,341</u> |
| DEFERRED DEBIT ITEMS: | | |
| Prepaid insurance, taxes, etc. | \$ 548,101 | \$ 482,649 |
| Advertising materials and expenses | 2,983,427 | 2,038,066 |
| Other | 397,727 | 344,329 |
| Total deferred debit items | <u>\$ 3,929,255</u> | <u>\$ 2,865,044</u> |
| TRADEMARKS, FORMULAS AND GOODWILL | <u>\$ 1</u> | <u>\$ 1</u> |
| TOTAL | <u><u>\$62,732,530</u></u> | <u><u>\$58,087,086</u></u> |

Reference is made to the accompanying Notes to Financial Statements starting at Page 35

CONSOLIDATED BALANCE SHEET **DECEMBER 31, 1956 AND 1955**

*Pepsi-Cola Company
and Consolidated Subsidiaries*

| LIABILITIES | 1956 | 1955 |
|--|----------------------------|----------------------------|
| CURRENT LIABILITIES: | | |
| Notes payable (including current installments on long-term obligations) | \$ 419,634 | \$ 422,650 |
| Accounts payable and accrued | 4,985,720 | 4,077,324 |
| Accrued taxes: | | |
| United States and foreign income taxes | 7,785,824 | 8,457,440 |
| Other taxes | <u>1,375,080</u> | <u>1,342,958</u> |
| Total current liabilities (exclusive of customers' deposits on bottles and cases, shown below) | <u>\$14,566,258</u> | <u>\$14,300,372</u> |
| OTHER LIABILITIES: | | |
| Long-term obligations (current installments included above): | | |
| Note payable to insurance company, 3%, due June 1, 1963, payable \$333,000 annually | \$ 1,666,000 | \$ 1,999,000 |
| Note payable to bank, 4%, due May 11, 1961 | 179,695 | |
| Mortgage payable, 4½%, payable \$66,668 annually, balance due October 3, 1961 | 1,249,998 | |
| Customers' deposits on bottles and cases | <u>2,906,358</u> | <u>2,693,600</u> |
| Total other liabilities | <u>\$ 6,002,051</u> | <u>\$ 4,692,600</u> |
| CAPITAL STOCK AND SURPLUS: | | |
| Capital stock—authorized, 7,500,000 shares of 33⅓¢ each; issued and outstanding at December 31, 1956, 5,918,655 shares | \$ 1,972,885 | \$ 1,969,668 |
| Capital surplus | 7,054,420 | 6,956,487 |
| Earned surplus | <u>33,136,916</u> | <u>30,167,959</u> |
| Total capital stock and surplus | <u>\$42,164,221</u> | <u>\$39,094,114</u> |
| TOTAL | <u><u>\$62,732,530</u></u> | <u><u>\$58,087,086</u></u> |

Reference is made to the accompanying Notes to Financial Statements starting at Page 35

SUMMARY

Pepsi-Cola Company and Consolidated Subsidiaries

CONSOLIDATED INCOME

for the years ended December 31, 1956 and 1955

| | 1956 | 1955 |
|--|--------------|--------------|
| GROSS PROFIT ON SALES | \$69,139,792 | \$62,823,327 |
| ADVERTISING, SELLING, SHIPPING, GENERAL AND ADMINISTRATIVE EXPENSES | 52,091,110 | 44,462,569 |
| PROFIT FROM OPERATIONS | \$17,048,682 | \$18,360,758 |
| OTHER INCOME | 1,051,154 | 708,911 |
| GROSS INCOME | \$18,099,836 | \$19,069,669 |
| INCOME CHARGES | 215,049 | 188,903 |
| INCOME BEFORE PROVISIONS FOR INCOME TAXES | \$17,884,787 | \$18,880,766 |
| PROVISIONS FOR UNITED STATES AND FOREIGN INCOME TAXES: | | |
| United States | \$ 7,068,000 | \$ 7,386,000 |
| Foreign | 1,932,000 | 2,038,000 |
| TOTAL | \$ 9,000,000 | \$ 9,424,000 |
| NET INCOME | \$ 8,884,787 | \$ 9,456,766 |

CONSOLIDATED SURPLUS

for the year ended December 31, 1956

| | EARNED SURPLUS | CAPITAL SURPLUS |
|---|-------------------|--------------------|
| BALANCE, JANUARY 1, 1956 | \$30,167,959 | \$ 6,956,487 |
| NET INCOME FOR THE YEAR | 8,884,787 | |
| EXCESS OF PROCEEDS OVER PAR VALUE OF 9,650 SHARES OF CAPITAL STOCK ISSUED UNDER STOCK OPTION PLANS | | 97,933 |
| TOTAL | \$39,052,746 | \$ 7,054,420 |
| DIVIDENDS (\$1.00 a share) | 5,915,830 | |
| BALANCE, DECEMBER 31, 1956 | \$33,136,916 | \$ 7,054,420 |

Reference is made to the accompanying Notes to Financial Statements starting at Page 35

NOTES TO FINANCIAL STATEMENTS

December 31, 1956

1. The inventories are stated at cost, certain inventories being at average cost and the others being on the basis of first-in, first-out. Such costs were not in excess of market.

2. The current assets and liabilities, total assets and liabilities, earned surplus, and net income of foreign subsidiaries, which are included in the 1956 consolidated financial statements, are as follows:

| | Canadian subsidiaries | Cuban subsidiary | Mexican subsidiaries | French subsidiary | Brazilian subsidiary | German subsidiary |
|--------------------------------------|--------------------------|---------------------|-------------------------|----------------------|-------------------------|----------------------|
| Current assets | \$2,000,439 | \$ 408,080 | \$2,160,916 | \$190,282 | \$187,415 | \$204,931 |
| Current liabilities | 429,809 | 119,004 | 462,829 | 70,505 | 37,529 | 64,949 |
| Total assets | 5,487,951 | 1,826,882 | 2,976,042 | 427,794 | 259,854 | 428,091 |
| Total liabilities | 872,821 | 272,164 | 462,829 | 70,505 | 37,529 | 264,610 |
| Earned surplus (deficit) | 2,331,687 | (1,026,505) | 1,858,129 | 76,449 | 18,851 | (341,505) |
| Net income (loss) for year | 724,351 | (42,517) | 316,341 | (46,619) | 11,659 | (135,984) |

The assets and liabilities of these subsidiaries have been translated into United States dollars at current rates of exchange; income and expenses have been translated at rates prevailing during the year.

Provisions for taxes related to the transfer of funds to the United States are made only at the time of such transfers.

3. Because of continuing stringent foreign exchange restrictions, the accounts of the British subsidiary (and its subsidiaries) are excluded from the consolidated financial statements. The current assets and liabilities and total assets and liabilities of these subsidiaries, and the parent company's equity, at December 31, 1956, and the subsidiaries' net loss for the year are as follows:

| | |
|---|------------|
| Current assets | \$ 782,203 |
| Current liabilities | 556,243 |
| Total assets | 1,690,833 |
| Total liabilities | 556,765 |
| Parent company's equity in net assets | 1,134,068 |
| Net loss for year | 85,033 |

4. The Federal income tax returns of the Company and domestic subsidiaries have been examined and settled through the year 1950; the tax returns for the years 1951 and 1952 are under examination.

NOTES TO FINANCIAL STATEMENTS • CONTINUED

5. During 1952 and 1956 the stockholders approved the adoption of Stock Option Plans under which 400,000 shares of the Company's capital stock were made available for the granting of options to officers and key employees. The following is a summary of transactions under the Plans during 1956:

| | Number of Shares | Option Value | Market Valuation at Dates of Grant |
|--|---------------------|--------------|---------------------------------------|
| Shares under option at December 31, 1955 | 135,450 | \$2,644,067 | \$2,800,818 |
| Options granted during year | 50,000 | 1,134,063 | 1,193,750 |
| TOTAL | 185,450 | \$3,778,130 | \$3,994,568 |
| Options exercised during year | 9,650 | \$ 101,149 | \$ 111,362 |
| Options lapsed during year | 1,500 | 28,897 | 31,187 |
| TOTAL | 11,150 | \$ 130,046 | \$ 142,549 |
| Shares under option at December 31, 1956 | 174,300 | \$3,648,084 | \$3,852,019 |

Options are exercisable within five years from the respective dates of the grants. At December 31, 1955 and 1956, 107,550 shares and 59,050 shares, respectively, were available for grants.

6. The provisions of the note payable to the insurance company include certain restrictions on the payment of cash dividends on the capital stock of the Company. At December 31, 1956 approximately \$5,996,000 of earned surplus was free of such restrictions.

7. At December 31, 1956 the Company and consolidated subsidiaries were contingently liable as guarantors of bank loans, principally to various franchised Bottlers, aggregating \$3,272,510.

8. The provisions for depreciation and amortization charged to manufacturing and expense accounts amounted to \$2,630,000 in 1956, and \$2,056,000 in 1955.

OFFICERS

BOARD OF DIRECTORS

| | |
|--|--------------------------|
| Alfred N. Steele <i>Chairman</i> | James Felt |
| James W. Carkner <i>Honorary Chairman</i> | Harry E. Gould |
| Charles Allen, Jr. | Mortimer Hays |
| Herbert L. Barnet | Christopher E. Holzworth |
| James G. Blaine | Milward W. Martin |
| Sheldon R. Coons | Dr. Louis A. Rezzonico |
| | George C. Textor |

OFFICERS

*Chairman of the Board
and Chief Executive Officer*

Alfred N. Steele

President

Herbert L. Barnet

Vice-Presidents

| | |
|--|---|
| John L. Bate <i>Western Division</i> | Donald M. Kendall <i>National Accounts and Syrup Sales</i> |
| Richard H. Burgess <i>Domestic Sales</i> | Seymour Lusterman <i>Market Research</i> |
| D. Mitchell Cox <i>Sales Promotion</i> | Milward W. Martin <i>Secretary, Law Department</i> |
| J. Charles Derrick <i>Advertising</i> | Henry E. McGovern <i>Equipment</i> |
| William C. Durkee <i>Central Division</i> | Neil A. Morrison <i>Plant Design and Engineering</i> |
| Thomas Elmezzi <i>Manufacturing</i> | Louis E. Nufer <i>Treasurer</i> |
| Stephen L. Galvin <i>Director of Research</i> | Carl B. Salts <i>Eastern Division</i> |
| Eugene B. Gilbert <i>Southern Division</i> | A. Allen Thomson <i>Sugar Division</i> |
| Stephen J. Gullo <i>Product Control</i> | |

Adolph Krieger, Jr.
Controller

•

Alfred N. Steele
*Chairman of the Board of Directors
Pepsi-Cola International, Ltd.*

H. M. Winter
President of Pepsi-Cola International, Ltd.

Emmett R. O'Connell
President of Metropolitan Bottling Company, Inc.

Frank W. McIntosh
President of Pepsi-Cola Company of Canada, Ltd.

TRANSFER AGENTS

The Marine Midland Trust Company of New York
The First National Bank of Jersey City
Harris Trust and Savings Bank
(Chicago, Illinois)

REGISTRARS

The Chase Manhattan Bank
(New York, N. Y.)
The First National Bank of Chicago
(Chicago, Illinois)

PEPSI-COLA COMPANY

EXECUTIVE OFFICES

3 West 57th Street
New York 19, New York

DIVISIONAL OFFICES

Pure Oil Building
Chicago 11, Illinois (Central)

1012 14th Street, N. W.
Washington 5, D. C. (Eastern)

1005 Mercantile Securities Building
Dallas 1, Texas (Southern)

223 South Beverly Drive
Beverly Hills, California (Western)

REGIONAL OFFICES

1401 Peachtree Building
Atlanta 9, Georgia

Pure Oil Building
Chicago 11, Illinois

4300 LeVeque Lincoln Tower Building
Columbus 15, Ohio

1005 Mercantile Securities Building
Dallas 1, Texas

800 East Colfax Avenue
Denver 18, Colorado

785 Market Street
San Francisco 3, California

37 Lewis Street
Hartford 3, Connecticut

1012 14th Street, N. W.
Washington 5, D. C.

Address all communications to:

*Secretary, Pepsi-Cola Company
3 West 57th Street
New York 19, New York*

